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LETTER DATED 14 JULY 1998 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit to you herewith a letter dated 14 July 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

Letter dated 14 July 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I am sending herewith my report for implementation of the Peace Agreement on Bosnia and Herzegovina for the months of April to June 1998. I will be presenting the report to the Security Council on 27 July and hope to be able to meet with you on that day.

(Signed) Carlos WESTENDORP

Appendix

Report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina for the months of April to June 1998

I. INTRODUCTION

1. By its resolution 1112 of 12 June 1997, the Security Council endorsed my appointment as High Representative and reaffirmed the importance of the role of the High Representative "in monitoring the implementation of the Peace Agreement and giving guidance to and co-ordinating the activities of the civilian organisations and agencies involved in assisting the parties to implement the Peace Agreement" in Bosnia and Herzegovina.

2. Pursuant to Security Council Resolution 1031 of 15 December 1995, in which it requested the Secretary General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8-9 December 1995, I herewith present the tenth report to the Council.

3. The Report covers the activities of the Office of the High Representative and developments in the areas listed below during the period from the beginning of April 1998 to the end of June 1998.

II. INSTITUTIONAL ASPECTS

Office of the High Representative

4. The period under review has seen substantial progress. This includes the consolidation of the position of the Government in the RS, the emergence of greater pluralism in both Entities, and improvement in the economic situation across the country. By the end of the reporting period, one half of the persons indicted for war crimes by the ICTY were in custody; cooperation by Entity justice sectors with the ICTY improved; the results of last September's elections had been implemented in all but one of the 136 municipalities; an MOU on the restructuring of RTV BiH had been signed. Minority returns have started in earnest and there is progress on property legislation. The Konvertible Marka has been introduced, new legislation on privatization adopted by the Council of Ministers, and legislation on foreign investment and State and Entity budgets passed; and an IMF standby agreement has been reached. Common license plates are now the norm rather than the exception on vehicles throughout the country. The Coat of Arms has been introduced.

5. But almost all progress has required continued and intensive efforts from the international community and in several cases I have had to resort to making interim binding decisions in accordance with my authority under Annex 10 of the Peace Agreement. A crucial moment in the peace implementation process has now been reached. As we approach the end of the

consolidation period, the progress made thus far, although substantial, is still not irreversible. Civilian peace implementation in BiH cannot yet proceed without continued international military support. Progress itself generates resistance from hardline nationalists, who see their power on the wane and their influence diminishing. The continued presence of SFOR remains vital to the preservation of the secure environment in which nation-building can take place. I welcome NATO' s and the UN's decision to extend SFOR's mission. The situation in nearby Kosovo, meanwhile, gives additional cause for concern; naturally it is one which I and other agencies in theater are watching closely.

6. Two and a half years on from Dayton, the great prize of a sustainable peace is within sight - if the international community is willing to see the task through to the end. It is critical also that Bosnia and Herzegovina now start to take responsibility for its own future and prepare to make its own way in the world. The present degree of international support will not last for ever, and is now at its peak. Bosnia's leaders should exploit the window provided by it, and by the recently extended international military presence, to build their country based on effective political institutions and a free market economy.

7. Now is the time for the all the authorities in Bosnia and Herzegovina to act in accordance with all aspects of the Peace Agreement and to implement the commitments they undertook at Dayton: building viable institutions; promotion of democracy; protection of human rights and the rule of law; reform of the educational system; economic recovery; reconciliation and the return process.

8. The September 1998 elections are a vital opportunity for the people of Bosnia and Herzegovina themselves to express their own wishes about the future of their country; to examine the record of their elected leaders and to judge them on it; and to elect those candidates ready to display the leadership and make the difficult compromises necessary to create a lasting peace, and allow Bosnia and Herzegovina to take its rightful place in Europe.

9. I and my Office press on with our task of civilian implementation. My regional Offices in Mostar, Tuzla, Brcko and Banja Luka continue to promote regional co-ordination and monitoring of the situation on the ground and to facilitate contacts at a local level, assisting inter-Entity co-operation. Given the positive developments in the RS I intend to reinforce further the regional office in Banja Luka.

10. During the period described the termination of assignments of the majority of international staff seconded to my Office by the respective Governments resulted in a substantial turn over of personnel. The capacity of my Office to maintain its effectiveness depends on the continued willingness of Governments to maintain their current level of commitment. I am grateful to the Governments which have replaced or extended the terms of duty of secondees and hope that a steady contribution in this regard will be maintained.

Peace Implementation Council

11. The Steering Board of the Peace Implementation Council (PIC) has continued to meet on a regular basis at the level of Political Directors of respective Foreign Ministries. I have also continued to convene weekly meetings of the Board at ambassadorial level in Sarajevo. The meeting held in Sarajevo on 29 April dealt with refugee return, financial aid to the Republika Srpska and the September elections. A meeting of Foreign Ministers of the Steering Board of the

Peace Implementation Council took place in Luxembourg on 9 June and set out concrete requirements for the acceleration of peace implementation for the remainder of 1998, including a clear plan of action to review and track progress in meeting specific goals. The Conclusions of the Luxembourg meeting have been distributed as a Security Council document. They highlight the following peace implementation priorities for the remainder of 1998:

- The acceleration of refugee and displaced person returns in a phased and orderly manner in accordance with the Peace Agreement.
- Police and judicial reform.
- The acceleration of economic reintegration and reform.
- Free and fair nation-wide elections in September.
- The implementation of the High Representative's media strategy.
- The strengthening of governmental institutions at all levels.

A full meeting of the Foreign Ministers of the Peace Implementation Council will be held in Madrid in December 1998.

III. COORDINATION OF CIVILIAN IMPLEMENTATION

Overall Co-ordination

12. I have continued extensive consultations with representatives of governments and organisations at different levels. On 11 May, I met senior UN officials in New York and on the same day reported to the members of the Security Council on progress in peace implementation. I have also had meetings with the Secretary General of NATO.

13. Regular discussions with the Principals in Sarajevo have been maintained. These consultations, with participation of the Special Representative of the UN Secretary General, the UN IPTF Commissioner, the UNHCR Special Envoy, COMSFOR and the OSCE Head of Mission, continue to be very useful and I intend to maintain them.

14. The Economic Task Force (ETF), which meets under my chairmanship, remains the main body for co-ordinating economic reform policies and international reconstruction assistance. The ETF brings together key donors in the international community and from my Office to discuss economic policy issues in a timely and coordinated fashion.

15. The Refugee Return Task Force (RRTF) structure requested by the Bonn PIC is now fully operational. A Central Secretariat has been established, and a further local office was opened in Derventa on 26 June. The RRTF's Action Plan was endorsed by the Donor Conference held in Brussels on 7/8 May. Following the Ministerial meeting in Luxembourg on 9 June the RRTF has been required to strengthen its links with neighbouring countries in the region. An initial planning meeting with representatives of UNHCR and OSCE from Bosnia and Herzegovina and Croatia was held in Sarajevo on 16 June.

16. Cooperation with, and coordination of international organizations has been greatly enhanced by the creation of the Inter Agency Planning Group, chaired by a senior representative of my Office. This body, by bringing together military and civilian organizations on a weekly basis, has allowed rapid and responsive planning to take place in a rapidly changing environment. The

active involvement of SFOR in this group has ensured that the political/military cooperation on which successful implementation depends has been further strengthened.

17. The members of the Human Rights Task Force have continued to work to address the priorities set for 1998, both individually and through the work of the Human Rights Coordination Center and its Steering Board.

Common Institutions of Bosnia and Herzegovina

18. The Presidency, the Council of Ministers and the Parliamentary Assembly have continued to meet regularly in the last months. Although the efficiency of their work continues to be hampered by insufficient political cooperation among the officials, there has been progress in institution - building.

19. On 12 June, the former Parliament Building in Sarajevo, partially renovated with financial contributions from the European Commission and the World Bank, was officially opened as the seat of the common institutions. The common services of the Council of Ministers moved into the building which should house, after the September elections, the plenary meetings of the common institutions and part of their administrations.

20. In the reporting period, the Presidency held few working sessions, but met frequently with high-ranking international delegations. Decisions of note were the approval of the proposal by my Office to establish a permanent location for common institutions at the former Parliament Building in Sarajevo (24 April) and the liquidation of the National Bank of Bosnia and Herzegovina (28 May).

21. The Council of Ministers meetings during this period have been increasingly focused and professional. The main overall emphasis was on the continued implementation of the Council of Ministers Law, through proper staffing and establishment of the Ministries consistent with their new organizational plans. The Council has benefited greatly from the assistance of its new International Coordinator, who has worked closely with the Chairs to rationalize procedures, hire staff, and finalize the move of the Council's Services into their new offices. As these improvements proceed, the Council's effectiveness and efficiency should also increase. Other important issues dealt with by the Council are the implementation of the Law on Travel Documents and the adoption of the draft Law on Privatization.

22. At its eighth session on 27 April, the Parliamentary Assembly adopted the State Budget for 1998 and established a Commission to investigate Inter - Entity Crime and Corruption. At its ninth session on 18 May, the Assembly adopted the Law on Foreign Investments which I had previously put into force on an interim basis.

23. It failed, however, to adopt the law on the Coat of Arms of Bosnia and Herzegovina. As a consequence, I decided to enforce the Law on Coat of Arms on an interim basis. The new Coat of Arms follows the design of the flag.

24. In its session held on 5 June 1998 the Constitutional Court laid down two decisions in respect of appeals in cases decided by the Human Rights Chamber of Bosnia and Herzegovina and a decision on the right of one of the Co-Chairs of the BiH-Council of Ministers to initiate proceedings before the court. The judges are working with efficiency and professionalism. They

agreed by consensus to extend the mandate of the first President of the Court in order to continue the process of bringing the Court to full operational capacity. A serious obstacle, however, is the failure of the BiH-authorities to make adequate resources available to the Court. The next session will be held on 14 October, 1998.

25. Since my last report, the Standing Committee for Military Matters (SCMM) has held its sixth and seventh sessions. Progress has been made on a proposal to allow cross-IEBL helicopter flights for VIPs and the Secretariat has worked up a new six month program for approval at the next meeting. Regrettably the issue of Defense Attaches has had to be passed to the Presidency after an agreed compromise was derailed by Bosniac withdrawal of consent. Within the Secretariat itself, considerable progress has been made towards self-sufficiency, with the chair being handed from my SCMM Coordinator to the advisor of the presiding Member of the Presidency. Also, pending the move of the institutions to the former Parliament Building, Secretariat meetings have moved from the neutral ground of my offices to other locations in BH. So far meetings have been held in Pale, Novi Travnik and Tuzla, and have all been characterized by a positive and businesslike atmosphere.

Essential Legislation

26. My Office is now preparing a list of basic legislation, which will help entrench the rule of law, as envisaged in paragraph 109 of the Luxembourg Conclusions.

27. The work on drafting laws on various subjects is proceeding well. A draft Telecommunications Law was agreed upon and the draft signed by all participants, representing both the state and the Entities and all constituent peoples, at a workshop held in Geneva in early July, sponsored by the ITU, EBRD and my Office. The draft will be forwarded to the Council of Ministers very soon. The draft Immigration Law is also ready, and has been discussed with the Ministers concerned. This draft will be sent to the Council of Ministers very shortly. The Aviation Act is very near completion. As for citizenship legislation, the Citizenship Law of the Federation of Bosnia and Herzegovina has been discussed at several meetings and a draft is completed. We hope to start work soon together with the Council of Europe to assist Republika Srpska to develop their citizenship law.

28. My Office is studying with experts of the Venice Commission different aspects of the constitutional provisions in respect of the election of the presidencies in Bosnia and Herzegovina as well as in the Federation of Bosnia and Herzegovina, which will be an essential part of the permanent electoral law. A working group including domestic and international experts shall then draft the final version on the basis of the proposal from my Office.

29. An Independent Media Commission (IMC) was established, continuing our efforts to ensure the principles of objectivity, transparency, non-discrimination and proportionality in the media.

30. The role of the IMC is to establish a regulatory regime for broadcasters and other media in Bosnia and Herzegovina. The IMC will work to promote pluralism in the media and to ensure that broadcast licenses are issued and regulated without political interference.

31. My Office , together with experts from the UN and experts appointed by the Council of Europe, have assisted working groups in both Entities to draw up a Criminal Code and Criminal Law Codes which are in conformity with the European Convention of Human Rights. In the Federation Codes are currently before the House of Peoples, while the Republika Srpska-codes should be submitted to the National Assembly by the end of summer.

32. Currently the Rector's Conference of Bosnia and Herzegovina is the only coordination structure for higher education in the country. It aims to represent all universities in the country. My Office encourages the Conference to become fully operational.

33. My Office is continuing its efforts to coordinate the drafting of different commercial and capital market laws by USAID and experts of the European Union. Several laws have been presented by USAID to the Federation Government and are now being considered for adoption.

34. Due to the on-going efforts of my Office an important Memorandum of Understanding concerning Water Issues was signed on 2 June and the Entities have formed a Joint Commission for Water Management. Since last year, my Office has brought the Entity ministers responsible for the environment together for discussions and on 14 July, my Office concluded a Memorandum of Understanding on Environmental Matters between the Entities.

Special Parallel Relations and Succession Issues

35. Bosnia and Herzegovina and the Republic of Croatia concluded an *Agreement on Establishment of an Inter-State Council for Cooperation* on 30 March 1998. This agreement shall supersede the *Agreement on the Establishment of the Council for Joint Cooperation* between the Republic of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and the Republic of Croatia of 14 December 1995.

36. My Office was informed recently about a proposal for an *Agreement on Special Parallel Relations* between the Federation of Bosnia and Herzegovina and the Republic of Croatia. Such an agreement is in certain respects inconsistent with the Constitution of Bosnia and Herzegovina and the division of competencies between the common institutions and the Entities. The parties involved have been informed accordingly. My Office is monitoring the situation closely.

37. Discussions on the compromise mini-agreement package on succession issues put forward by the Special Negotiator at the end of March failed to lead to any consensus: four delegations accepted the package but one (FRY) had substantial objections to it. Only very limited progress has been made regarding effective access to records and data relevant to succession issues, although the FRY has decided in principle to make certain documents available.

38. In its Declaration of 9 June 1998, the Ministerial Meeting of the Steering Board of the PIC noted with concern the lack of progress in arriving at a consensus on substantive issues of succession. It stated that these negotiations cannot continue indefinitely. It supported my recommendations for a pause in the negotiations until the end of September to be followed by a further negotiating session on the basis of the draft Framework Agreement of 13 November 1997, should appropriate conditions exist. After that session, the Steering Board will, if necessary, revisit the question including the option of referring key outstanding issues to arbitration. In addition, consideration may be given to pursuing steps to distribute relevant assets held abroad.

39. On access to records, the Steering Board renewed its request made by the (Bonn) PIC and stressed the importance of full compliance with it, and without delay. Such a move would enable negotiations on the draft Framework Agreement to proceed effectively and on an equal footing.

Brcko Dispute

40. In accordance with the Supplemental Award of 15 March 1998, the Supervisor of Brcko and his staff have pursued a vigorous policy of implementation. Both Entities improved in their cooperation with the Supervisor, though major responsibility for implementation lies with the Republika Srpska. Security conditions for return have been generally satisfactory - no major incidents on inter-ethnic grounds occurred during the reporting period.

41. Freedom of movement, both in the Zone of Separation (ZOS) and through and within the Brcko city limits for vehicles other than Serb-Entity registration, is steadily improving.

42. The return of displaced persons (DPs) and refugees is now taking place in a greater number of areas, including Brcko proper. To date 2,998 applications for return (approximately 12,000 persons) have been approved and more than 1,072 Bosniac and Croat families (an estimated 4,000 persons) have returned.

43. The problem of dealing with DPs occupying returnees' houses has grown. The tempo of returns from the Federation to the Brcko area could be higher if Serb DPs in Brcko, now living in abandoned Bosniac and Croat houses, were willing to contemplate return to the Federation, where an appropriate security environment, jobs, and other social benefits in the Federation would be made available . Along with some artificial bureaucratic impediments, the Federation requirement that Serb DPs produce a certification as "to where they have been since 1991" does nothing to reduce anxiety among Serb DPs contemplating returning to the Federation.

44. The multi-ethnic administration, judiciary and police were fully staffed by the end of June and are now operational - in accordance with the Supervisor's orders. All three ethnic groups appear to work satisfactorily together, especially in the police and judiciary. The multi-ethnic police expanded their operation to include mobile and static multi-ethnic patrols, both in the ZOS area and in Brcko proper. Two major problems remain to be resolved: lack of essential equipment, such as radios and weapons; and the sizable disparity between Serb policemen's salaries (very low) and the original salaries of the other two ethnic groups carrying out the same jobs in the Federation.

45. The revitalization of Brcko's economy envisaged both in the first Arbitral Award and in the Supplemental Award is directly related to a peaceful return process and progress in enhancing democratic institutions in Brcko: multi-ethnic administration, judiciary and police and other establishments, financed by the Brcko Municipality budget. To make this happen a certain number of Serb employees had to be laid off in order to employ Bosniacs and Croats. There are no alternative jobs for those laid off. Returnees, steadily increasing in numbers, also have no job opportunities. All this may contribute negatively to the stability and peace between the three ethnic communities and should be addressed through improving their economic outlook.

46. Although my Brcko office and other international organizations in Brcko are achieving steady progress in reconstruction of the municipal infrastructure, housing reconstruction, and

micro projects (including small business promotion), Brcko's economy remains stagnant and lacks substantial employment opportunities. Brcko is in critical need of employment opportunities to support the multi-ethnic administration and returnees and to deter the potential for social unrest.

47. In order to make significant headway toward revitalization of the economy before the final arbitral proceedings begin at the end of 1998, a special economic zone and a privatization process must be established. For this to happen, increased and steady support of the international donor community will be necessary.

Joint Commissions

48. The activities of the Provisional Election Commission (Annex 3), chaired by the OSCE, are referred to in the elections sections of this report.

49. At the 8th and 9th sessions of the Commission to Preserve National Monuments in Bosnia and Herzegovina, held respectively on 8-9 May in Paris, and on 29 June in Mostar, the list of monuments was extended to 110, and the Commission examined a preliminary report on legislation prepared by UNESCO, with a view to providing Bosnia and Herzegovina with the necessary legal apparatus to protect its cultural heritage. Moreover, at the June session the Commission drafted a letter to the competent authorities in both entities requesting that they take the necessary steps to protect the sites of monuments which have been totally destroyed, and inform the Commission of the measures taken.

Federation Issues

50. My Office continued to focus its attention on Federation issues. A meeting of the Federation Forum was held in Mostar on 16 April. Agreements were reached on a wide range of issues including Mostar returns, the continuing dissolution of parallel structures and separate financial channels as well as initiation of the second phase of municipal reform. My Office continues to follow up the implementation of these agreements.

51. As a result of the Federation Forum, Governors and Vice-Governors of the Central Bosnia and Herzegovina-Neretva Cantons have successfully paid joint visits to the municipalities in their Cantons to accelerate the merging of parallel municipal administrations with specific attention to the continued existence of parallel structures, full functioning of joint municipal administrations and implementation of Canton return plans. Results are, however, still limited.

52. An Inter-Ministerial Commission has been established to begin the second phase of municipal re-organization, consisting of representatives of the competent Federation Ministries, as well as the Council of Europe and my Office. This Commission held its first meeting on 25 June and will continue, with the aim of concluding its work by 31 December 1998.

53. The most numerous minority return movement of the first months of 1998 was to Drvar. These returns were, however, accompanied by an increasing number of house burnings and security incidents, including the murder of two elderly Serbs on 15 April. In light of the continued failure of local authorities to provide sufficient security in the municipality, the Deputy Mayor of Drvar and the Chief of Police were removed from office.

54. During an organized riot on 24 April, the Drvar municipal offices were attacked, and the Serb Mayor attacked and wounded. Some houses as well as the local offices of my Office, the UN IPTF, UNHCR and OSCE were also attacked and severely damaged by fire.

55. My Office, in close co-ordination with all the major implementation agencies, took measures to assert the international presence in Drvar, to re-establish a secure environment, to initiate investigations to identify the perpetrators and to make it possible for the return process could resume. I have appointed a Resident Envoy to monitor and help stabilize the situation in Drvar.

Republika Srpska

56. The period between April and June saw a consolidation of the position of the new RS government, and the strengthening of the political parties forming the government coalition, at the expense of the previously ruling hard-line parties. The Government strengthened its control over the police, as well as the military, the judiciary and the customs authorities.

57. The RS National Assembly passed some essential legislation required by the Peace Agreement. The Government coalition managed to block any attempt by the SDS led-opposition to derail progress. In June, it voted to remove the representatives of the SDS and SRS from their positions as President and Vice-President of the Assembly, which they had used to obstruct the passage of essential legislation, and replaced them with representatives from a moderate RS party and a Bosniac from the Federation-based Coalition respectively. For the first time in post - war BH, there is now a Bosniac Vice-Speaker of the RS Assembly.

58. In June, the three Serb Government parties formed the Sloga coalition. They are confident that they will strengthen their position in the upcoming September elections and thus create conditions for a further progress in peace implementation in the RS.

59. I am, however, concerned that the RS Prime Minister and the RS President should live up to the promises which they have made. Minority return into RS municipalities remains negligible, mainly due to the fact that many municipalities are still dominated by the old nationalistic forces of the SDS. However, the RS Government failed to honor its political commitment as regards the adoption of the so-called property laws, which are the basis for refugee return, as well as to make progress on the envisaged restructuring of the police forces.

Elections

60. Since my last report, the regulatory work of the Provisional Election Commission for the 1998 general elections has been almost completed, except for the sections on voting and counting. In addition to the changes I mentioned in my last report, the Provisional Election Commission has reduced the term of office to two years for all levels of government, except for the Bosnia and Herzegovina Presidency, which is regulated in the Bosnia and Herzegovina Constitution. The Chair of the Presidency will rotate every eight months. According to the new rules at least one third of the first ten candidates on a political party or coalition list must be women; candidates are obliged publicly to disclose their own and their family's financial assets; and paid media advertising is prohibited.

61. The voter registration period has closed, as has the period for the registration of political parties, the forming of coalitions and alliances as well as the submission of candidate lists. In

order to reflect the rapidly changing political landscape the Provisional Election Commission extended the period for the registration of parties separating from already existing parties until 1 July 1998. The New Croat Initiative (NHI), headed by the Croat Member of the Presidency, has applied to register as a party.

62. In addition to preparations for the 1998 elections, monitoring of the implementation of the 1997 municipal elections results continues. In June, the Provisional Election Commission extended the period to revoke Final Certification until the next municipal elections are held in September 1999. This measure will help to apply pressure to ensure that municipal councils/assemblies function efficiently and the voluntary return of displaced municipal officials to the municipalities takes place.

Media

63. For the past three months my media strategy has continued to be based on a three-pillared approach, namely (1) re-structuring of the media environment and the creation of a regulatory framework, (2) support to the independent media and provision of alternative sources of information, and (3) a public service information campaign designed to break the control of the government and political parties of the media environment. We are now making progress in our primary objective of redressing the balance of access to objective information, and along with the OSCE have agreed strict guidelines for fair and equitable access to the media in the pre-election period.

64. ***First Pillar*** As regards the re-structuring and regulation pillar of my strategy, the restructuring process at Srpska Radio Televizija (SRT) has provided for more balanced reporting of events in the Serb Entity. The new Board of Governors led by the International Administrator continues to function effectively. Since the appointment of the administrator, the evening news program no longer airs inflammatory political commentaries. However, the restructuring process at SRT has been hampered by a lack of financial and technical resources and I urge donor governments not to neglect this important technical part of the restructuring process.

65. Due to the improvement in the political climate and the success of the restructuring effort, SFOR troops have withdrawn from all but two of the SRT tower sites which were taken over last year, and early withdrawal from remaining towers is envisaged.

66. The reform of RTV BiH has been the main media restructuring activity of the reporting period. The aim of this reform has been to protect the television from direct political control and to enfranchise the main communities of the Federation and the whole of Bosnia and Herzegovina in accordance with the Dayton Peace Agreement. Two of the three members of the collective Presidency, Alija Izetbegovic and Kresimir Zubak, signed a Memorandum of Understanding undertaking to support a reorganization of RTV BiH. The leadership of the Trade Union of RTV BiH also signed the Memorandum. The MOU calls for the establishment of a public broadcasting corporation reflecting the constitutional structure of BiH. Until the corporation is established, an interim Board of Governors and an international administrator will begin restructuring the television network. The High Representative will ratify the Board of Governors and appoint an international administrator.

67. The Independent Media Commission (IMC) was officially established on 11 June by a Decision of the High Representative. The IMC was formed in accordance with Annex 10 of the GFAP and in accordance with the Bonn PIC Conclusions. The Decision sets out the authority of the IMC to assign broadcast frequencies across BiH, issue broadcast licenses and to enact a press code for print media. As part of the Decision, a moratorium on new licenses was declared to allow for the IMC to assess the current state of affairs in the broadcasting sphere.

68. The aim of the IMC is to ensure that all broadcasters and media outlets in the country conform to a set of minimum standards based on Western democratic principles and law. After a transparent recruitment process, a Director General was selected as well as other experts to lead the departments. The IMC has held press conferences to explain its work and continues to consult with broadcasters about the details of a code of practice, which is expected to be released on 1 August.

69. ***Second Pillar*** My Office has, over the reporting period, put in place a procedure for the systematic assessment of existing and new independent media, with a view to ensuring a fair distribution of international support. My Office has tried to direct assistance to areas which lack alternatives sources of information, apart from those controlled by local authorities. This strategy would benefit greatly from better coordination among donor governments on projects being selected for financial assistance among the independent media. My Office will work to promote that in the coming months.

70. The most ambitious independent media project supported by the international community over the period, in line with objectives set out in previous reports, was the television channel the Open Broadcast Network (OBN). Due to phased donations by the international community of financing and programming, the channel has now established a firm foothold on the BiH media scene. This is confirmed by independent polling and research. Unpredictability of funding has been partially overcome in the reporting period, enabling the channel to set a firm and coherent programming and news schedule, at least until the end of this year. The OBN has also made significant progress in increasing marketing revenue, and is now firmly on the way to becoming a fully-fledged commercial channel. The OBN's commercial viability will, however, remain linked to the economic development in BiH as a whole and its long-term sustainability will depend on achieving a balance between a gradual phasing out of international donations and targeted commercial revenue.

71. ***Third Pillar*** The Public Service Information Campaign (PSIC), which makes up the third pillar of my strategy, aims to provide clear, unbiased information, via commissioned programming and advertisements, on a series of themes. The issues treated in the PSIC underpin the main areas of work undertaken in the civilian area in support of the Peace Process. The messages have been designed by programming professionals to be clear and accessible to the public. Both the advertising and programming strands of the campaign are now partially completed, and are being broadcast by all media in the country. New advertisements and programs, pursuing the themes already developed, will continue to appear.

Return of Refugees and displaced persons

72. Returns have been slower than expected in the first half of 1998. The UNHCR had set a target figure of 50,000 minority returns for the first six months of the year. The actual figure is closer to 11 -15,000.

73. As outlined in the RRTF Action Plan, the primary obstacles to return remain a lack of political will on the part of the authorities, the absence of a sense of personal security for minority returnees, housing shortages, a general lack of employment opportunities, and legal and administrative problems.

74. The Banja Luka Conference on Regional Return marked the first in a series of steps to promote regional return. The Conference set out the requirements for accelerated return between from Croatia and Bosnia and Herzegovina and from FR Yugoslavia to each of these two countries. The emphasis was on the adoption of concrete return plans and the implementation of appropriate legislative, administrative, and social frameworks.

75. Croatia's adoption of a new return programme on 26 June 1998 marked a further step towards the realisation of regional return. While failing to address all the issues raised at the Banja Luka Conference, the Croatian return programme is promising and may yield significant returns if implemented in good faith. The RRTF is strenthening its links with key actors in Croatia with a view to assisting in its implementation and in expediting cross-border return.

76. Also on the 26th of June, the United Nations High Commissioner for Refugees hosted the Humanitarian Issues Working Group in Geneva. The meeting reviewed and endorsed the High Commissioner's Regional Return Strategy and underlined the importance of minority return as key to solving the overall return problem in the countries of former Yugoslavia. As my Deputy pointed out at the Humanitarian Issues Working Group (HIWG) however, the planning phase is over now. It is now results that count.

77. Implementation of the Sarajevo Declaration has so far been poor. The authorities refuse to address systematic problems in the housing allocation system, adopting a burdensome and opaque approach instead of dealing with individual cases one by one. US and European Union assistance for Sarajevo has been suspended as a consequence of non-compliance. I will brief the Steering Board of the Peace Implementation Council in full on 22 July 1998, and discuss with them a package of possible measures to rectify the situation.

78. In a positive development, cross-Inter-Entity Boundary Line (IEBL) returns are picking up pace. Bosnian Serbs have returned to places like Bosanski Petrovac, Sarajevo, Drvar, and Central Bosnia. Bosniak and Croat returns are taking place into the north-western part of the Republika Srpka in modest numbers, and are expected to accelerate over the summer as reconstruction programmes finish and more accommodation becomes available. The European Commission's 1998 programme in support of return is a key factor in generating new housing space and supporting infrastructure.

79. For the remainder of the year, I will continue to apply strict conditionality in support of return. I will not hesitate to use my authority to remove officials who try to prevent returns. I remain convinced, however, that 1998 is not the only year of return, however. The return of Bosnia and Herzegovina's refugees and displaced people will take years. The prospect of the

September elections may be contributing to this delay in the return process, as government leaders shrink from previous commitments to allow significant minority returns for fear that these might adversely affect their political fortunes.

Freedom of Movement

80. The implementation of the Uniform License Plate System is proceeding well. To date, two thirds of vehicle owners in BiH have been issued with the common license plates. To achieve this, a series of high-level interventions by my Office and the UN IPTF has been required. In accordance with the Bonn PIC Conclusions, I asked the Peace Implementation Council Members to permit only vehicles with the new license plates to cross international borders after 1 June. As a result of the introduction of the new license plates, which do not reveal the place of origin or ethnicity of the car holder, freedom of movement across the IEBL has increased substantially during the reporting period.

81. Progress on freedom of movement across the BiH borders into Croatia for BiH citizens resident in the RS and displaced Serbs from Croatia in that Entity has not been satisfactory. This issue has been raised frequently with the Croatian Government, which has announced that there will be no further discrimination against RS residents bearing new Bosnian passports. However, the Croatian Government maintains visa and other impediments for bearers of other travel documents resident in the RS.

82. Infrastructure issues continue to require the attention of my Office. Resumption of normal railway traffic between BiH and Croatia has yet to come into effect. The agreement on border rail traffic has recently been submitted to the Ministry of Civil Affairs and Communications for approval by the Council of Ministers and discussion with the Croatian authorities. The recently formed public corporation for railways has signed a similar agreement with Croatian Railways, although it should be noted that this public railways corporation has yet to formalise a book of rules governing its operations.

83. The decree on the regulation of inter-Entity bus traffic was signed in April. Instructions are now being drawn up for implementation of the decree. Meanwhile, no new inter-Entity bus lines have been approved.

84. A protocol addressing regulation of navigation on the River Sava has been prepared and submitted to the Ministry of Civil Affairs and Communications for consideration and further discussion with Croatian authorities. This protocol awaits approval.

85. Bridge programs for reconstruction of Una and Sava river bridges have been identified. However, at this time, no bridges have been reconstructed and numerous temporary structures are in use. Seven bridges are under consideration by the EC, two by USAID and one bridge is currently under reconstruction under a World Bank project. Efforts to co-ordinate reconstruction projects through the involvement of the donors and representatives of Croatia, Bosnia & Herzegovina and the local authorities have yet to be realised.

Police issues

86. Regrettably no major improvements have taken place during the reporting period in relation to police restructuring in the Federation. Of particular concern are two of the Federation Cantons, which continue to exist without Ministries of Interior having been inaugurated. UN IPTF has however made progress in relation to the Federation Ministry of Interior. Inauguration of the Ministry is expected shortly.

87. In accordance with the Bonn PIC Conclusions and the Declaration of the Luxembourg Ministerial meeting of the PIC Steering Board, my Office prepared, in cooperation with UN IPTF, the necessary draft legislation for the establishment of a border police of BiH, which is about to be submitted to the Council of Ministers for discussion and adoption.

Missing Persons, Mass Graves

88. The issue of missing persons remains very sensitive and is frequently manipulated by different groups for political purposes. The Working Group on Missing Persons, chaired by the ICRC, continue to make it possible for representatives of the family associations to have direct contact with the relevant local authorities.

89. An important step forward has been made by the Joint Exhumation Commission, chaired by my Office. The Commission, comprising representatives of the three parties, is the principal forum for inter-Party exhumations. During March, it became possible to conduct exhumations for the first time without total reciprocity. The RS team started exhumations in Jajce on 2 March, the Croat team began their exhumations in the area of Kakanj two days later and the Bosniac team - in West Mostar, in the middle of March. The work continues in a co-operative manner. So far approximately 250 bodies have been exhumed in 20-30 micro locations in 4 main areas since the beginning of March.

90. The exhumations are performed with the help of the international community. Physicians for Human Rights assists with technical and scientific expertise, sponsored by the International Commission on Missing Persons, who also provide funds for de-mining and forensic materials. The UN assists with mine assessment visits to the sites and the UN IPTF monitor the local police, who are responsible for security at the sites. SFOR provide area security and emergency evacuation capability.

Human Rights

91. I am pleased with the continuing progress being made towards the goal of securing adequate and stable funding for the Human Rights Chamber, the Human Rights Ombudsperson and the Commission for Real Property Claims (CRPC). Greater financial security has enabled the institutions to deal more effectively with their rapidly growing caseload. However, the commitment by the Bosnia and Herzegovina Government to contribute DM 200,000 to each institution from its 1997 budget and DM 500,000 from its 1998 budget has not yet been met. My Office is continuing to work with the government to ensure that this obligation is fulfilled.

92. There is still a serious lack of cooperation on the part of the authorities in ensuring that the decisions and recommendations of these institutions are effectively implemented. After a long

delay, an agent to represent the State in proceedings before the Chamber was finally appointed. Unfortunately, one has still not been appointed for the Ombudsperson. My Office is continuing its involvement in monitoring authorities' responses and coordinating intervention in cases in which the authorities have failed to meet their obligations. Mechanisms and strategies to ensure respect for the final and binding decisions of the Human Rights Chamber and the Commission for Real Property Claims as well as implementation of recommendations by the Ombudsperson and the Federation Ombudsmen must be strengthened. Implementing legislation for the Commission for Real Property Claims has been drafted and legislation on behalf of the Commission on Human Rights is also under consideration. Coordination and cooperation among the institutions is good and measurable progress has been made in terms of the institutions' impact in contributing to the respect for human rights and the rule of law in Bosnia and Herzegovina.

93. My Office is extremely concerned by the increase in the number of incidents of destruction of property and violence directed against returnees and minority residents, in municipalities such as Drvar, Stolac and Travnik. The murder of an elderly Bosnian Serb couple attempting to return to Drvar in April, the organised violent assault against Bosnian Serb returnees and members of the international community on 24 April in Drvar, as well as a car explosion in Travnik resulting in the death of a Bosnian Croat police officer and the wounding of his Bosniac police partner, have been strongly condemned by the international community. These incidents underscore the failure of local and national authorities to assume their responsibilities for ensuring a secure environment essential for implementation of Annexes 6 and 7 of the Peace Agreement. Allegations of human rights violations by local police continue to be reported in both Entities. In response to the serious allegations of abuse in police custody in Teslic, however, the joint UN IPTF and RS police investigation has led to the suspension of members of the police force in Teslic. It is hoped that the actions taken as a result of this joint investigation will send a clear message to the authorities in both entities that such acts will not be tolerated.

94. An agreement was reached between the two Ministries of Education in May regarding a review of all textbooks in use in primary and secondary schools (with the exception of textbooks for mathematics, science and technical vocational courses). Under the Agreement, coordinated by my Office with the assistance of UNESCO, the Council of Europe and the World Bank, expert teams have been established by the Ministries to review the textbooks in order to identify offensive material which should be removed in advance of the upcoming school year. My Office is also working with these international organizations to ensure necessary curriculum reform in both entities.

95. While the adoption of the property and housing laws in April by the Federation National Assembly has put in place the essential legal framework for return of refugees and displaced persons to their pre-war homes, implementation of these laws has been slowed by numerous forms of deliberate obstruction. In the Luxembourg Declaration, the Steering Board urged the Federation authorities to take immediate steps to ensure full implementation of the legislation.

96. The Republika Srpska government has failed to date to fulfil its commitment to ensure that draft property and housing laws, which are essential to return and to peace implementation generally, are adopted. A deadline of 31 August was set in Luxembourg for draft legislation acceptable to my Office to be finalized and passed by the National Assembly. My Office will continue to work to ensure that this deadline is met.

Strengthening the Rule of Law and Co-operation with ICTY

97. Recent developments in the area of judicial cooperation have been encouraging, particularly with the signing of the Memorandum of Understanding on Legal Assistance between Institutions of the Federation and Republika Srpska on 20 May. Further, the Inter-Entity Legal Cooperation Commission, established by the BiH Presidency in February 1998, held its inaugural session in June. Once fully established, the Commission will provide a forum in which concrete recommendations will be made as to how to expand and improve legal cooperation between the Entities as well as to provide advice on the implementation of the Memorandum of Understanding on Legal Assistance.

98. Despite the PIC Conclusions in Bonn, which called for the Federation to adopt the new Federation Criminal Code and Criminal Procedure Code by 31 January 1998, both codes have remained under consideration by the Federation Parliament for more than four months after this deadline. In Luxembourg, the Steering Board therefore called upon the Entities to bring the current, first phase of the Criminal Law reform to completion and urged the Federation and RS to enact new criminal codes and criminal procedure codes by 30 June 1998 and 31 August 1998 respectively. The Federation has failed to meet its deadline of 30 June, despite nearly a half-year extension. Both laws are essential for effective protection of the rights and freedoms set forth in the European Convention on Human Rights and its Protocols as well as for the functioning of the judicial systems in Bosnia and Herzegovina. My Office has intervened strongly to ensure adoption by the Federation of these laws and will continue to place pressure on the Republika Srpska to meet its obligations under the Luxembourg Declaration.

99. In accordance with the Bonn PIC Conclusions, my Office has continued to work to ensure a comprehensive and coordinated approach to judicial system reform. While progress has been made in this field, I remain concerned that judicial reform efforts are not proceeding quickly enough to address the urgent needs of the peace process. For example, the inability of the legal system to address violence which threatens the return of refugees and displaced persons must be addressed. In addition, there is a compelling need for reform of the judicial appointments system. Along with other international organizations, my Office has intervened to ensure that judicial appointments are made on the basis of professional qualifications, rather than political criteria. However, a more systematic approach is necessary, and to that end draft legislation is being prepared to address this issue. Moreover, I have asked the Venice Commission of the Council of Europe for its Opinion on the question whether a judiciary at the state level needs to be established in order to hear, *inter alia*, claims submitted by persons whose interests have been prejudiced by actions of the BH institutions. If the Venice Commission's Opinion is affirmative, necessary legislative measures will have to be taken for the establishment of such a judiciary.

100. Also at Bonn, the PIC stressed that "monitoring of the judicial system is an essential element of this process" and called for "the necessary resources to be devoted to that task." Unfortunately, this appeal has not been met. Judicial system reform efforts continue to be hampered by the current ad hoc approach to monitoring, which does not provide the requisite information for effective targeting and development of reform programs. Comprehensive judicial system monitoring would increase the efficiency of all other efforts in this field, and itself acts as a deterrent against abuses.

101. Co-operation with ICTY continues with the detention of four Bosnian Serb indictees by SFOR troops during the reporting period, as well as the voluntary surrender of a Bosnian Serb indictee in April.

102. My Office has also continued its work in supporting efforts underway to reform the legal framework applicable to NGOs, to establish a proper legal and security environment which supports the development of civil society organisations. A working version of a new draft Law on Associations and Foundations was distributed in June for public discussion. This first distribution is primarily aimed at domestic NGOs in Bosnia and Herzegovina, the aim being to solicit their views on legislation that will crucially affect them. A sound legislative framework for NGOs is vital. Freedom of expression, association and peaceful assembly are fundamental to an enduring peace in Bosnia and Herzegovina. Expression of these rights through a vigorous civic society helps build social stability and respect for the rule of law. Appropriate legislation protects these rights and instills accountability.

Economic Reform and Reconstruction

103. The Luxembourg Declaration of the PIC Ministerial Steering Board stressed the importance of establishing an integrated economy in BiH, as well as moving the country towards a market-led economy. In this light, some important progress has been made in the period under review. However, the implementation of reforms in economic management has remained difficult.

104. A major step forward in creating the necessary conditions for sustained economic development was the approval by the IMF Executive Board on 29 May of a stand-by arrangement. Under the arrangement, a total of USD 82 million is made available to strengthen the financial position of the country in general and the Central Bank in particular. The loan will facilitate the realization of the 1998-1999 macro-economic program as presented by the BiH authorities. Further support for achieving key economic reforms in public finance is given by the World Bank; following the IMF agreement, the Public Finance Structural Adjustment Credit, totaling USD 63 million, was approved on 4 June.

105. The IMF stand-by loan provided necessary reserve funds for the Central Bank of BiH (CBBH). This in turn enabled the introduction of the Konvertible Marka (KM), the new common currency for BiH. The KM is pegged to the DM in a ratio of 1:1. This exchange rate is secured by the currency board constraints, under which all KM in circulation will be backed by DM or other convertible currency. The introduction of the KM took place on 22 June. Even though the initial introduction has suffered from some difficulties, I am confident that the KM will be reliable currency for all of BiH.

106. An essential part of the establishment of a fully independent CBBH is the liquidation of the former national bank, the NBBH. On 28 May, the Presidency of BiH approved the liquidation plan for the NBBH. The plan is now being carried out by an experienced liquidator.

107. A unified economic space is a pre-condition for the future economic development of BiH. It is therefore encouraging that the legal framework concerning all aspects of customs for BiH is nearly completed. As of 1 January 1999, BiH will have modern customs procedures compatible with EU practice. The Customs and Fiscal Assistance Office (CAFAO), funded by the EC, is

helping the local authorities to ensure proper implementation of the customs regime, and to improve the administration in all relevant fields and to increase customs revenues.

108. Apart from a unified customs practice, internal trade without barriers is a second essential component of the unified economic space. With active support of my Office, the Entities have started a constructive dialogue on issues concerning trade within BiH. Even though many barriers are to be removed, some initial results have already facilitated increased trade. In particular, the RS has amended its system of sales taxes and both Entities have removed restrictions to trade with the other Entity.

109. The Council of Ministers (CoM) has adopted the draft Framework Law on Privatization of Enterprises and Banks, drafted by my Office. This is an important step forward since the Law secures the legal environment for privatization programs to be implemented by both entities. The Law further stipulates that basic principles such as non-discrimination of DPs and refugees, transparency and public accountability need to be observed. In order to monitor that privatization process is in compliance with the GFAP and with this Law, I have established a Privatization Monitoring Commission which will make recommendations and which will report to me.

110. Significant progress has been made in the RS. After nullification of the privatization lottery a new privatization and capital market law package has been drafted with the assistance of the IC. These laws have been accepted by the RS Cabinet and were passed by the Parliament at the beginning of July, ahead of schedule.

Reconstruction

111. The fourth donor conference for BiH was held in Brussels on 7 and 8 May. A total of USD1.2 billion was pledged by 30 countries and international organizations. My recommendation to the donors to increase their financial effort in the RS, including the Eastern part, was well received, and also resulted in more reconstruction projects being initiated in the RS during the period under review.

112. Under my chairmanship, the Economic Task Forces and the sectoral Task Forces continue to co-ordinate the financial support offered by donors. The reconstruction projects already completed in 1998 now amount to USD 130 million, with an additional USD 600 million currently under implementation. Two thirds have been invested in the Federation, the share of the RS being now above one quarter of the total USD 730 million. Most of the remaining, USD 60 million has been spent at the national level in projects involving both Entities, essentially in the energy, electrical and telecommunications sectors.

113. Two thirds of this USD 730 million is spent on infrastructure repairs, transport, energy and water supply systems. The direct share of the RS represents about USD 130 millions for these three sectors only. Of the USD 60 million spent in the health and education sectors, 35% is going to the RS.

114. The funding of the infrastructure reconstruction has significantly increased in the RS in all sectors, with exception of the housing; of the total USD 121 million spent in reconstruction of houses and apartments, about 90% goes to the Federation. This is mainly related to the rate of return, which is much lower in the RS than in the Federation;. The housing projects implemented

or already finished in 1998 represent USD 6 million in the western RS and USD 2 million in its eastern part.

115. The Project Implementation Units established in both entities by the World Bank will help to co-ordinate and monitor the USD 170 million Second Electric Power Reconstruction Project designed to restore normal and reliable power supply in the country. Additionally, the World Bank approved in June a new USD 7 million credit line to improve forest management, which is part of a $20.2 million project co-financed by the EC, Norway and Italy.

116. The EBRD has secured a USD 20 million loan under the Telecommunications Emergency Reconstruction Project. The Bank seeks additional financing from donors (Switzerland, Japan, Norway, Italy and the Netherlands) to finance complementary equipment and materials for an estimated value of USD 20 million. Local operators will provide financing for an amount of approximately USD 10 million. The total allocated to Telecommunications Reconstruction is therefore approximately USD 50 million.

117. USAID's Business Development Program has approved DM 20 million in loans to private sector businesses. To date, this Program has approved approximately DM 200 million in loans to private sector businesses in both the Federation and the RS (87% and 13% of the total, respectively). This assistance has resulted in the creation of over 17000 jobs. To date, over 500 companies have received technical assistance on business planning, corporate organization, financial and quality management, marketing, and other business functions.

118. In April, the European Community approved 17 contracts worth USD 70 million with non-governmental organizations related to the implementation of EU-funded projects designed to facilitate the return of refugees and displaced persons. These projects were part of a wider USD 150 million 1998 return program funded by the European Commission.

119. Nearly half of the reconstruction effort is now financed through three main donors; the European Community, USAID and the World Bank. However, numerous governments, including non-European countries, are generously supporting the process on a bilateral basis. Besides donors, commercial companies feel increasingly confident about the future of the country and are increasing their involvement in the economy, with for instance the German company VW preparing the reopening of a car production facility in Sarajevo. The overall level of foreign investment is however very low.

Public Utilities

120. In the field of Public Utilities, limited progress has continued. The newly established railway Public Corporation has drafted internal rules and procedures and is starting to become operational. It has signed an agreement with Croatian Railways. However the Federation has still not prepared a new law on railways which would create the Federation railway company. Similarly the Republika Srpska has not amended its current law to bring it into line with the Peace Agreement. Railway traffic has not taken off mainly due to a lack of domestic demand. Moreover, there is still no agreement signed with Croatia at the State level to allow international traffic with BiH.

121. The decree on the regulation of inter-Entity bus traffic was signed mid-April. Instructions are now being considered for implementation of the decree. Meanwhile, no new inter-Entity bus routes have been approved.

122. A protocol addressing regulation of navigation on the river Sava has been prepared and sent to the Ministry of Civil Affairs and Communications for consideration and further discussion with Croatian authorities. Three months after the initial proposal, a protocol has yet to be approved.

123. Significant progress has been achieved in the field of telecommunications. A working group including all interested parties has agreed on a draft state law to be forwarded to the Council of Ministers. On 22 April a Memorandum of Understanding concerning the resumption of Inter-entity mail transports was signed. As a result postal exchange between Sarajevo and Banja Luka has been established on a regular basis. Similarly, a draft text on a Joint Corporation for electrical transmission is being prepared.

124. In line with the Bonn PIC conclusions, the OHR Anti-Fraud Unit was created in mid April 1998 to assist authorities in identifying illegal activities and in coordinating international efforts in the areas of government transparency, corruption and organized crime. The unit has had some notable success both in the development of an overall anti-corruption strategy as well as in individual cases. The Unit has developed productive liaisons with local governmental agencies and international organizations to ensure a coordinated approach to all anti-corruption/transparency efforts in BiH and to implement an effective local anti-corruption system.

125. The Council of Ministers finally decided to tackle the issue of the implementation of the State budget. With the help of my Office, the Minister of Civil Affairs and Communications and his deputies agree with the Entities on a procedure to implement the budget as per the law, starting on 1 June 1998. For the last six months of the year, Entities will contribute to a central bank account and salaries will be paid according to the payroll of the Law of the Council of Ministers.

Budgetary support to the Republika Srpska

126. Both to boost economic recovery and as an incentive to the new Government to live up to its pledges to implement Dayton, I have urged the international community to provide funds to cover public service wage arrears. The RS Government has received budgetary assistance of nearly DM 27 million from six donors (EU, USA, UK, Canada, the Netherlands and Sweden). The program has covered the payment of wage arrears in the public service for seven months. The beneficiaries included General Administration (excepting Police and Army) and Education. The final portion of the whole budgetary support program was disbursed at the end of June in the newly introduced Konvertible Marka (KM) to help reinforce public confidence in the currency. A key condition attached to the budgetary support included accountability and transparency of these funds, cooperation with EC CAFAO in restoring customs and excise collection, and working with the IMF to implement an annual budget. The Government has cooperated in a satisfactory manner and fulfilled these conditions. These developments and other initiatives to pave the way for a market economy have enabled the RS Government to enter into a stand-by arrangement with the IMF which would provide a total of DM 100 million to the RS Government, a major step forward.

Mine Clearance

127. Both Entity Mine Action Centers are now established as bodies within the Entity Governments. This will be confirmed at a ceremony to mark the formal transfer of the UNMAC to the BiH MAC in early July, thus completing the establishment of all the bodies asked for in the London PIC Conclusions on demining.

128. The results of the Mines, Ordnance and Other Warlike Material Amnesty were encouraging. In addition to a considerable quantity of these items being handed in, 2400 weapons were also given up, even though they were not the primary focus of the amnesty. It therefore seems worthwhile to pursue an amnesty specifically aimed at weapons. The BiH Authorities should be urged to enact legislation so that such an amnesty can be implemented by the Entities in conjunction with SFOR and the UN IPTF.

129. Three demining schools are now being established at Banja Luka, Travnik and Mostar. This marks significant progress by the Entity armies towards achieving mine lifting to recognized humanitarian demining standards. This will not only bring valuable resources to stretched clearance programs, but will also widen the choice for donors as to where their investment will be most efficiently used.

130. The Bonn PIC Conclusions called for the renunciation on the use of all landmines. However there is still no formal renunciation of the export or continued manufacture of anti-tank mines. This lack of commitment sends a confusing message to potential donors of demining resources. There is also still no confirmation that all mine information has been transferred to the BiH MAC. These matters are being pursued by the Board of Donors.

131. The Entity Ministries of Defense have made a presentation to the SCMM on the implementation of the Ottawa Treaty.